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# Office of the Chief Financial Officer

FY 2002 Proposed Operating Budget:	\$84,076,932
FY 2002 Proposed Capital Budget:	\$19,566,000
FY 2002–FY 2007 Proposed Capital Improvements Plan:	\$31,901,000

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The Office of the Chief Financial Officer administers the financial management operations of the District of Columbia to assure fiscal stability and integrity, supports public services, and provides financial information to policy makers necessary for making informed decisions while minimizing the cost to the government.

## Budget Summary

The FY 2002 proposed operating budget for the Office of the Chief Financial Officer is \$84,076,932, an increase of \$2,356,276, or 2.9 percent, over the FY 2001 approved budget (table AT0-1). The 1,036 full-time equivalents (FTEs) supported by the budget represent an increase of 10 from FY 2001 (table AT0-2).

The FY 2002 proposed capital budget totals \$19,566,000 for FY 2002 and \$31,901,000 for FY 2002–FY 2007 for four current capital projects. The capital program will address upgrades to the District's financial operations systems and improvements to the facilities that house the financial systems.

## Strategic Issues

- Reengineer the program account structure to achieve activity-based accounting, performance-based budgeting, and effective labor cost analysis.

- Restructure the financial management functions of the District as a first step toward lowering the financial management overhead of the city while improving performance.
- Strengthen the relationship between the District's personnel and financial management systems and processes.

## FY 2002 Initiatives

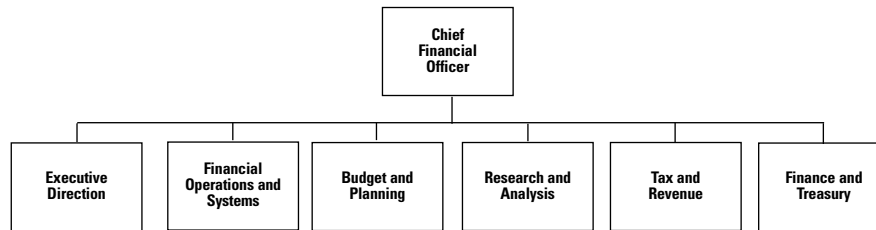
- Develop a business plan to effectively integrate District personnel and financial systems.
- Implement first phase of District-wide Performance-Based Budget (PBB) for the Metropolitan Police Department, Fire and Emergency Medical Services, Department of Motor Vehicles, Department of Public Works, D.C. Public Schools, Department of Human Services, Department of Health, and the Office of the Chief Financial Officer.
- Develop a plan to reduce the time needed to process an error-free tax document.

**The FY 2002 proposed operating budget for the Office of the Chief Financial Officer is \$84,076,932, an increase of \$2,356,276, or 2.9 percent, over the FY 2001 approved budget.**

**The FY 2002 proposed capital budget totals \$19,566,000.**

Figure AT0-1

## Office of the Chief Financial Officer



- Increase delinquent account collections.
- Complete the implementation of the Integrated Tax System (ITS).

### Agency Background

Public Law 93-198, the District of Columbia Home Rule Act, established the Office of the Chief Financial Officer in 1973. Under this act, the Chief Financial Officer reported to the Mayor.

In April 1995, Congress addressed the District's financial crisis with the enactment of Public Law 104-8, the District of Columbia Financial Responsibility and Management Assistance Act. This act established an independent Office of the Chief Financial Officer (OCFO) to restore financial integrity and fiscal responsibility to the District government. Under the act, the Mayor appoints the chief financial officer, with the consent of the D.C. Council. The chief financial officer can be removed only by the District of Columbia Financial Responsibility and Management Assistance Authority. The act also placed the following offices under the OCFO's authority: the Office of Financial Operations and Systems, including the Office of the Chief Information Officer; the Office of Budget and Planning; the Office of Grants Management and Development; the Office of Tax and Revenue; and the Office of Finance and Treasury.

During the past year OCFO met the challenge of producing the District's Comprehensive Annual Financial Report (CAFR) on time with an unqualified or "clean" opinion and delivering a fourth consecutive balanced budget.

The FY 2002 budget for the OCFO reflects an agency realignment as directed by the CFO in the summer of 2000. This realignment, which is

designed to improve the effectiveness and responsiveness of the office, affects more than 100 positions. In some cases, entire units are moved; in other cases, individual positions are moved because their particular duties are better placed in a different organizational unit. The realignment features the consolidation of information technology resources, the development of an enterprise office to spearhead the development and implementation of payroll and financial management systems, the consolidation of administrative support staff, and the creation of a working partnership between grant activities and economic research.

### Programs

Figure AT0-1 displays the entities that make up the Office of the Chief Financial Officer, which operates six programs:

The **Financial Operations and Systems** program (FOS) is responsible for the District's accounting operations, including critical functions such as financial reporting and pay and retirement services. The program is also responsible for producing the comprehensive annual financial report, which presents the District's financial position at the end of each fiscal year. The program is also responsible for developing new information technology systems to manage the System of Accounting and Reporting (SOAR) and the technical aspects of the payroll systems.

The proposed FY 2002 budget from all funding sources for Financial Operations and Systems totals \$12,921,556 and supports 175 FTEs. The proposed local budget is \$10,037,026 and supports 119 FTEs. The proposed Other (O-type) funds budget is \$2,040,623 and supports 44 FTEs. The proposed intra-District budget is \$843,907 for

Table AT0-1

**FY 2002 Proposed Operating Budget, by Comptroller Source Group**

(dollars in thousands)

Office of the Chief Financial Officer

	<b>Actual FY 2000</b>	<b>Approved FY 2001</b>	<b>Proposed FY 2002</b>	<b>Change from FY 2001</b>
Regular Pay - Cont. Full Time	43,468	42,432	46,372	3,940
Regular Pay - Other	2,063	2,301	1,662	-639
Additional Gross Pay	3,302	1,100	1,242	142
Fringe Benefits	7,434	7,598	7,351	-247
<i>Subtotal Personal Services (PS)</i>	<i>56,266</i>	<i>53,431</i>	<i>56,627</i>	<i>3,196</i>
Supplies and Materials	1,099	858	713	-145
Utilities	494	510	286	-224
Communications	1,894	969	1,253	283
Rent - Land and Structures	6,375	6,473	7,122	648
Janitorial Services	0	0	220	220
Security Services	0	0	843	843
Other Services and Charges	8,408	5,685	4,185	-1,501
Contractual Services	11,463	11,451	11,749	298
Subsidies and Transfers	531	1,250	145	-1,105
Equipment and Equipment Rental	819	1,093	935	-158
Debt Service	0	0	0	0
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>31,084</i>	<i>28,290</i>	<i>27,450</i>	<i>(840)</i>
<b>Total Proposed Operating Budget</b>	<b>87,350</b>	<b>81,721</b>	<b>84,077</b>	<b>2,356</b>

Table AT0-2

**FY 2002 Full-Time Equivalent Employment Levels**Office of the Chief Financial Officer

	<b>Actual FY 2000</b>	<b>Approved FY 2001</b>	<b>Proposed FY 2002</b>	<b>Change from FY 2002</b>
Continuing full time	927.25	1,026	1,034	8
Term full time	101.50	0	2	2
<b>Total FTEs</b>	<b>1,028.75</b>	<b>1,026</b>	<b>1,036</b>	<b>10</b>

indirect costs associated with the implementation of various grants and supports 12 FTEs.

**Budget and Planning** prepares, monitors, analyzes, and executes the District's budget, including operating funds, capital funds, and enterprise funds, in a manner that ensures fiscal

integrity and maximizes service to taxpayers.

Budget and Planning advises policy makers on the District's budget and has primary responsibility for expenditure forecasts associated with the budget and financial plan.

The proposed FY 2002 budget from all funding

Table AT0-3

**Capital Improvement Plan, FY 2000 - FY 2007**

(dollars in thousands)

Office of the Chief Financial Officer

Cost Elements	EXPENDITURE SCHEDULE										
	Through FY 2000	Budgeted FY 2001	Total	Year 1 FY 2002	Year 2 FY 2003	Year 3 FY 2004	Year 4 FY 2005	Year 5 FY 2006	Year 6 FY 2007	6 Years Budget	Total Budget
a. Design	1,725	2,889	4,614	3,080	0	0	0	0	0	3,080	7,694
b. Site	0	0	0	0	0	0	0	0	0	0	0
c. Project management	9,569	1,349	10,918	1,146	0	0	0	0	0	1,146	12,064
d. Construction	3,787	1,808	5,594	300	1,032	0	0	0	0	1,332	6,926
e. Equipment	86,623	18,907	99,530	15,040	7,719	3,584	0	0	0	26,343	131,873
Total	101,704	24,953	120,656	19,566	8,751	3,584	0	0	0	31,901	158,667

Cost Elements	FUNDING SCHEDULE										
	Through FY 2000	Budgeted FY 2001	Total	Year 1 FY 2002	Year 2 FY 2003	Year 3 FY 2004	Year 4 FY 2005	Year 5 FY 2006	Year 6 FY 2007	6 Years Budget	Total Budget
a. Long-term financing	63,421	813	64,233	9,350	6,837	0	0	0	0	16,187	80,420
b. Tobacco securitization	0	0	0	0	0	0	0	0	0	0	0
c. Grants	0	0	0	0	0	0	0	0	0	0	0
d. Pay go	0	6,000	0	0	0	0	0	0	0	0	6,000
e. Hwy trust fund	0	0	0	0	0	0	0	0	0	0	0
f. Equipment lease	0	0	0	0	0	0	0	0	0	0	0
g. Alternative financing	66,881	2,000	68,881	0	0	3,256	0	0	0	3,256	72,137
h. Other	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>130,302</b>	<b>8,813</b>	<b>133,114</b>	<b>9,350</b>	<b>6,837</b>	<b>3,256</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,443</b>	<b>158,557</b>

sources for Budget and Planning totals \$4,455,586 and supports 56 FTEs. The proposed local budget is \$2,972,051 and 34 FTEs. The proposed intra-District budget is \$1,483,535 and 22 FTEs.

The **Research and Analysis** program is responsible for all policy analysis and revenue estimating activities of the OCFO. This includes providing fiscal impact statements, economic analysis and research in support of economic development, and analysis of all revenue sources. The program is also responsible for the revenue estimation and certification component of the budget, including tax and grants revenue, fees and charges, research on the tax code and tax compliance, and other studies either mandated or requested.

The proposed FY 2002 budget from all funding sources for Research and Analysis totals \$3,279,620 and 42 FTEs. The proposed local budget is \$1,243,248 and 16 FTEs. The proposed intra-District budget is \$2,036,372 and 26 FTEs for indirect costs associated with the implementa-

tion of various grants.

The **Tax and Revenue** program is the largest program in the OCFO and comprises 52 percent of the agency's total budget. The program ensures the fair, efficient and effective administration of the District's business, income, excise, and real property tax laws. The office processes tax returns and refunds, collects and records tax revenue, values property and records deeds, initiates tax compliance and collection efforts, and provides tax-related assistance and information.

The tax and revenue program was responsible for processing more than 1.1 million tax returns and collecting \$3.0 billion in tax revenue in tax year 2000. Two kinds of taxes constitute major sources of revenue to the District:

- Individual income tax collected from 283,699 income tax returns was \$1.1 billion, a 13 percent increase over FY 1999.
- Real property tax collections amounted to 96.6 percent of the real property tax levy, an

increase from 91.5 percent in FY 1999. These revenues were derived from the assessment of approximately 155,000 parcels with a total assessed value of \$43.3 billion.

The proposed FY 2002 budget from all funding sources for Tax and Revenue totals \$42,411,377 and 618 FTEs. The proposed local budget is \$41,212,966 and 616 FTEs. The proposed Other funds budget is \$1,129,049 and 1 FTE. The proposed intra-District budget is \$69,362 and 1 FTE for indirect costs associated with the implementation of various grants.

**Finance and Treasury (OFT)** manages the financed assets and liabilities of the District government. OFT manages the District's cash and liquid assets, handles all cash disbursements, conducts capital market borrowings, collects non-tax accounts receivables, and administers District retirement programs.

The proposed FY 2002 budget from all funding sources for Finance and Treasury totals \$15,836,419 and 90 FTEs. The proposed local budget is \$7,631,997 and 72 FTEs. The proposed federal budget is \$932,000 and 3 FTEs. The proposed Other funds budget is \$6,723,427 and 1 FTE. The proposed intra-District budget is \$548,995 and 14 FTEs for cashier services, competitive services, and indirect costs associated with implementing various grants.

The **Executive Direction** program includes the immediate staff of the chief financial officer and support units that provide communications and legal and financial management services for the District's core financial operations and the financial operations of the District's program agencies. The agency realignment moved the internal audit and internal security function so that they now report directly to the CFO.

The proposed FY 2002 budget from all funding sources for Executive Direction totals \$5,172,374 and 55 FTEs. The proposed local budget is \$5,076,191 and 54 FTEs. The proposed intra-District budget is \$96,183 and 1 FTE for indirect costs associated with the implementation of various grants.

The FY 2002 budget includes a \$64,918 decrease in fixed costs due to management reform savings.

## Funding Summary

### Local

The proposed local budget is \$68,173,479 a net increase of \$2,017,433, or 3 percent, over the FY 2001 approved budget. Of this net increase, there is a \$2,780,505 increase in personal services and a \$763,072 decrease in nonpersonal services. Local sources fund 911 full-time positions, a decrease of 1 from the FY 2001 approved budget. Refer to the FY 2002 Operating Appendices (bound separately) for details.

The change in personal services comprise:

- \$1,541,317 increase for the Management Supervisory Service
- \$1,000,000 decrease for Management Reform and Productivity Savings in FY 2001
- \$766,748 decrease in funding for the elimination of the Financial and Technical Services Division
- \$638,000 is an increase for forecasting, monitoring, budget execution and Performance-Based Budgeting staff for OBP
- \$531,484 is an increase for staffing for the annual property assessment initiative
- \$175,610 increase in funding for the College Savings Program
- \$80,842 increase to align the personal services budget with current authorized staffing levels
- \$1,580,000 increase for senior accounting staff for OFOS.

The change in nonpersonal services comprises:

- \$1,105,000 decrease in subsidies and transfers
- \$285,781 decrease in supplies and equipment
- \$690,509 net increase in utilities, telecommunications, and rent
- \$62,800 net decrease in other services and charges and contractual services.

### Federal

The proposed federal budget is \$932,000, representing no change from the FY 2001 approved budget. Federal sources support the Electronic Benefits Transfer Program and 3 FTEs.

### Other

The proposed Other budget is \$9,893,099, representing an increase of \$48,552, or less than one percent, over the FY 2001 approved budget. There

Table AT0-4

**FY 2002 AT0 Proposed Operating Budget, by Revenue Type**

(dollars in thousands)

Office of the Chief Financial Officer

	<b>Actual FY 1998</b>	<b>Actual FY 1999</b>	<b>Actual FY 2000</b>	<b>Approved FY 2001</b>	<b>Proposed FY 2002</b>
Local	70,007	61,429	69,179	66,156	68,173
Federal	4,879	6,920	974	932	932
Other	5,588	7,694	8,181	9,845	9,893
Intra-District	5,382	9,217	9,017	4,788	5,078
<b>Gross Funds</b>	<b>85,856</b>	<b>85,261</b>	<b>87,350</b>	<b>81,721</b>	<b>84,077</b>

are 46 FTEs funded by other sources, an increase of 5 FTEs over the FY 2001 approved budget. This funding comes primarily from bank fees, unclaimed property fees, and federal retirement benefits processing.

**Intra-District**

The proposed intra-District budget is \$5,078,354, representing an increase of \$290,291, or 6.0 percent, over the FY 2001 approved budget. There are 76 FTEs funded by intra-District sources, an increase of 6 FTE over FY 2001.

**Capital Improvements**

The new proposed funding for the OCFO capital budget totals \$19,566,000 for FY 2002 and \$31,901,000 for FY 2002–FY 2007. Refer to the FY 2002 Capital Appendices (bound separately) for details. The agency will receive funding to accomplish the following:

- Renovation of the OCFO facility at 410 E Street, NW. The planned expenditure for FY 2002 is \$3,350,000 and \$4,187,000 for FY 2002–FY 2007.
- Conversion of the D.C. Public Schools and Fire EMS employee payroll functions from the Comprehensive Automated Personnel and Payroll System (CAPPS) and Metropolitan Police from the legacy UPPS system to the new INTEGRAL payroll system. This conversion process also will verify the quality of existing data in the UPPS/retirement database and transfer the data to the newly modified historical database. It will also maintain the current CAPPS software, apply needed system

changes, and assure the continuity of the UPPS/CAPPS payroll environment.

- Assure the quality of the data being converted into the INTEGRAL system. The planned expenditure for FY 2002 is \$6,000,000 and \$12,000,000 for FY 2002–FY 2007.
- Continue improvements in the automated systems for the administration of income, business, and real property taxes. The system capabilities will include scanning and imaging capabilities, electronic data interchange, on-line data adjustment, scheduling, and user-controlled reporting. The planned expenditure for FY 2002 is \$10,216,000 and \$15,714,000 for FY 2002–FY 2007.

The Office of the Chief Financial Officer's (OCFO) capital program is designed to provide financial systems that aid the OCFO in overseeing all financial management functions within the District.

**Trend Data**

Table AT0-5 and figure AT0-2 show expenditure and employment histories for FY 1998–FY 2002.

**Agency Goals and Performance Measures**

**Goal 1. Serve as the District's command and control center for accounting operations, including financial reporting and payroll operations.**

*City-wide Strategic Priority Area:* Making government work

*Manager:* Anthony S. Pompa, Deputy CFO for Financial Operations and Systems

*Supervisor:* Dr. Natwar M. Gandhi, Chief Financial Officer

**Performance Measure 1.1: Number of quarterly interim closings**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	NA	2	3	TBD
Actual	0	1	—	—	—

**Performance Measure 1.2: Number of (unaudited) monthly flash reports prepared, comparing budget to actual figures**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	2	6	9	TBD
Actual	0	0	—	—	—

**Goal 2. Prepare, monitor, analyze, and execute the District's budget in a manner that ensures fiscal integrity and maximizes service to taxpayers.**

*City-wide Strategic Priority Area:* Making government work

*Manager:* Wayne B. Upshaw, Deputy CFO for Budget and Planning

*Supervisor:* Dr. Natwar M. Gandhi, Chief Financial Officer

**Performance Measure 2.1: Number of National Advisory Council on State and Local Budgeting (NAC-SLB) "recommended budget practices" implemented (maximum of 44)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	3	7	9	TBD
Actual	0	5	—	—	—

**Performance Measure 2.2: Percentage of quarterly Financial Review Process reports submitted on time**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	75	100	100	TBD
Actual	0	75	—	—	—

**Performance Measure 2.3: Percentage of agency budgets aligned with mayoral priorities**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	0	75	95	TBD
Actual	0	0	—	—	—

**Performance Measure 2.4: Number of "outstanding" ratings by the Government Finance Officers' Association (GFOA) Distinguished Budget Awards Program received for the District's budget (maximum of 4)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	1	2	2	TBD
Actual	0	0	—	—	—

**Performance Measure 2.5: Number of financial planning documents prepared**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	45	45	45	TBD
Actual	25	45	—	—	—

**Performance Measure 2.6: Average time to process a reprogramming (days)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	15	15	10	TBD
Actual	40	15	—	—	—

**Performance Measure 2.7: Number of agencies with budgets presented entirely in program-based terms**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	NA	0	7	17
Actual	NA	NA	—	—	—

Note: FY 2002 performance will be measured by chapters in the FY 2003 Budget Book and FY 2003 performance by the FY 2004 Budget Book.

**Performance Measure 2.8: Capital expenditures as a percentage of planned capital expenditures**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	NA	80	80	80
Actual	NA	59	—	—	—

**Goal 3. Ensure the fair, efficient, and effective administration of the District's business, income, excise, and real property tax laws.**

*City-wide Strategic Priority Area:* Making government work

*Manager:* Herbert Huff, Deputy CFO for Tax and Revenue

*Supervisor:* Dr. Natwar M. Gandhi, Chief Financial Officer

**Performance Measure 3.1: Number of returns through E-file/Telefile/Internet filing (thousands)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	10.0	24.0	28.0	33.0	36.0
Actual	10.7	24.6	—	—	—

**Performance Measure 3.2: Time to process an error-free tax document (days)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	15	15	15	15	15
Actual	11	13	—	—	—

**Performance Measure 3.3: Delinquent account collections (millions of \$)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	55.0	66.4	68.0	72.8	78.2
Actual	58.6	67.4	—	—	—

**Performance Measure 3.4: Number of taxpayers assisted (thousands)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	375.0	400.0	410.0	410.0	410.0
Actual	393.9	390.4	—	—	—

**Performance Measure 3.5: Cycle time for business tax registration (days)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	1	1	1	1
Actual	NA	NA	—	—	—

**Performance Measure 3.6: Percent of customer issues resolved in a single contact**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	85	85	85	85
Actual	NA	NA	—	—	—

**Performance Measure 3.7: Percent of refunds issued within target time frame**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	90	95	95	95
Actual	NA	90	—	—	—

**Performance Measure 3.8: Percent of payments deposited within zero-day target**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	95	90	95	95
Actual	NA	98	—	—	—

Note: FY 2001 target is projected to be lower than usual due to the ITS conversion of both income and business tax systems.

**Performance Measure 4.1: Percent of time that the District maintains an investment grade bond rating**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	100	100	100	100	TBD
Actual	50	NA	—	—	—

**Performance Measure 4.2: Cost of District's bank fees (millions of dollars)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	2.0	1.8	1.8	1.8
Actual	2.2	1.8	—	—	—

**Performance Measure 4.3: Number of cash reports produced by the 15th of each month**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	9	12	12	TBD
Actual	0	9	—	—	—

**Performance Measure 4.4: Percentage of daily cash reports completed**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	95	100	100	TBD
Actual	90	95	—	—	—

**Performance Measure 4.5: Amount of unclaimed property claims (millions of \$)**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	NA	NA	7.0	10.0	TBD
Actual	4.1	4.2	—	—	—

**Performance Measure 4.6: Number of District bank accounts**

	Fiscal Year				
	1999	2000	2001	2002	2003
Target	1,200	1,100	678	220	220
Actual	1,500	1,078	—	—	—

**Goal 4. Manage the assets and liabilities of the District government.**

*City-wide Strategic Priority Area:* Making government work

*Manager:* N. Anthony Calhoun, Deputy CFO for Finance and Treasury

*Supervisor:* Dr. Natwar M. Gandhi, Chief Financial Officer